

Tax Incentives Overview

Contact Information

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Helpful links

General Tax Information
dor.wa.gov/content/taxes

Tax Incentives
dor.wa.gov/content/taxes/incentives

Industry-specific Tax Guides
dor.wa.gov/content/taxes/industry

Questions and Answers
dor.wa.gov/content/home/qa/tax_QA

Doing Business in Washington
Business.wa.gov

2006 Report on Tax Incentives
Read our Descriptive Statistics for Tax Incentive Programs report to the Legislature on activity during calendar year 2005.
New at <http://dor.wa.gov>

Find more statistics and reports from Department of Revenue:
Quarterly Business Reviews
Property Tax Statistics
Comparative State & Local Taxes
Municipal B&O Tax Study
High Tech R&D Tax Incentive Studies
Summary of Major Tax Legislation and more!
dor.wa.gov/content/statistics



GENERAL MANUFACTURING

Machinery and Equipment (M&E) Sales & Use Tax Exemption

Available to:

Manufacturers, processors for hire, and manufacturers performing manufacturing, research and development (R&D), and testing operations

Qualifying Activity:

Purchase of qualifying machinery and equipment used directly for manufacturing or research

Reporting/Documentation:

- Completion of Buyers' Retail Sales Tax Exemption Certificate or Manufacturers' Sales and Use Tax Exemption Certificate for vendor
- No application
- No Annual Survey/Report
- Electronic filing not required

Rural County/Community Empowerment Zones (CEZ) Sales & Use Tax Deferral/Waiver

Available to:

Manufacturers, computer-related businesses, R&D laboratories and commercial testing facilities located in rural counties, Community Empowerment Zones (CEZ), or county with a CEZ

Qualifying Activity:

Certain construction and equipment purchases for new and expanding businesses

Reporting/Documentation:

- Application must be filed before breaking ground on project
- Annual Survey must be filed by March 31 of the following year
- Electronic filing not required

Rural County/CEZ Business and Occupation (B&O) Credit for New Employees

Available to:

Manufacturers, computer-related businesses, R&D laboratories and commercial testing facilities located in rural counties or within a CEZ

Qualifying Activity:

Increase instate employment by 15%

Reporting/Documentation:

- Application must be filed before filling a position
- No Annual Survey/Report
- Electronic filing not required



(Also see Aerospace)

High Technology B&O Credit for R&D Spending

Available to:

Businesses conducting R&D in the fields of:

- Advanced computing
- Advanced materials
- Biotechnology
- Electronic device technology
- Environmental technology

Qualifying Activity:

Research and development

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

High Technology Sales & Use Tax Deferral/Waiver

Available to:

Limited to businesses conducting R&D and pilot scale manufacturing in the fields of:

- Advanced computing
- Advanced materials
- Biotechnology
- Electronic device technology
- Environmental technology

Qualifying Activity:

Certain construction and equipment purchases for new and expanding businesses

Reporting/Documentation:

- Application must be filed before construction permit is approved
- Annual Survey must be filed by March 31 of the following year
- Electronic filing not required

Biotechnology & Medical Device Manufacturing Sales & Use Tax Deferral/Waiver

Available to:

Biotechnology and Medical Device Manufacturers

Qualifying Activity:

Certain construction and equipment purchases for new and expanding businesses

Reporting/Documentation:

- Application must be filed and approved before construction permit is approved
- Annual Report must be filed by March 31 of the following year
- Electronic filing not required

B&O Credit for Software Programming & Manufacturing in Rural Counties

Available to:

Businesses in rural counties that provide programming services or manufacture software

Qualifying Activity:

Creating new employment positions

Reporting/Documentation:

- No application
- Annual letter/report must be filed by January 31
- Electronic filing not required

B&O Credit for Third Party Help Desk Services in Rural Counties

Available to:

Businesses in rural counties that provide third party information technology help desk services

Qualifying Activity:

Providing help desk services

Reporting/Documentation:

- No application
- Annual letter/report must be filed by January 31
- Electronic filing not required

Reduced Business and Occupation (B&O) Rate

Available to:

Manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes

Qualifying Activity:

Manufacture, and sales by the manufacturer, of commercial airplanes or component parts of commercial airplanes

Reporting/Documentation:

- No application
- Annual Report must be filed by March 31 of the following year
- Reduced rate generally available only on tax returns filed electronically
- Electronic filing not otherwise required, but recommended

B&O Credit for Preproduction Development Expenditures

Available to:

Manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes

Qualifying Activity:

Expenditures for aerospace preproduction development

Reporting/Documentation:

- No application
- An Affidavit must be filed each reporting period the credit is taken
- Annual Report must be filed by March 31 of the following year
- Electronic filing not required, but recommended

B&O Credit for Property/Leasehold Taxes Paid on Aerospace Manufacturing Facilities

Available to:

Manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes

Qualifying Activity:

Payment of property/leasehold taxes on new buildings, land, the increased value or renovated buildings, and equipment eligible for the machinery and equipment (M&E) exemption

Reporting/Documentation:

- No application
- Annual Report must be filed by March 31 of the following year
- Electronic filing not required, but recommended

Sales & Use Tax Exemption for Aerospace Manufacturers for Computer Hardware/Software/Peripherals

Available to:

Manufacturers and processors for hire of commercial airplanes or component parts of commercial airplanes

Qualifying Activity:

Purchases of computer hardware, software and computer peripherals, and charges for labor and services related to the installation of such equipment

Reporting/Documentation:

- Completion of Buyers' Retail Sales Tax Exemption Certificate for vendor
- No application
- No Annual Survey/Report
- Electronic filing not required

B&O Credit for Non-manufacturer Preproduction Development Expenditures

Available to:

Persons who develop, design, and engineer, but do not manufacture, commercial airplanes or component parts of commercial airplanes

Qualifying Activity:

Expenditures for aerospace preproduction development

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

Sales & Use Tax Exemption for Aerospace Non-manufacturers for Computer Hardware/Software/Peripherals

Available to:

Persons who develop, design, and engineer, but do not manufacture, commercial airplanes or component parts of commercial airplanes

Qualifying Activity:

Purchases of computer hardware, software and computer peripherals, and charges for labor and services related to the installation of such equipment

Reporting/Documentation:

- Completion of Buyers' Retail Sales Tax Exemption Certificate for vendor
- No application
- No Annual Survey/Report
- Electronic filing not required

Reduced B&O Rate for Commercial Airline Repair Stations

Available to:

Persons certified by the Federal Aviation Administration (FAA) to perform repair and maintenance on commercial airplanes under FAR Part 145

Qualifying Activity:

Performing repair and maintenance on commercial airplanes

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

FOOD PROCESSING

B&O Tax Exemption for Food Processors

Available to:

Fresh fruit and vegetable processors and dairy products and seafood manufacturers

Qualifying Activity:

Manufacturing and wholesale sales of fresh fruit and vegetables, dairy products and seafood for transport outside the state

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

Food Processors Sales & Use Tax Deferral/Waiver

(Effective July 1, 2007)

Available to:

Fresh fruit and vegetable processors and dairy products and seafood manufacturers

Qualifying Activity:

Certain construction and equipment purchases for new and expanding businesses

Reporting/Documentation:

- Application must be filed before construction permit is approved
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

Sales Tax* Remittance for Cold Storage Warehouse Construction

(Effective July 1, 2007)

Available to:

Fresh fruit and vegetable processors and dairy products and seafood manufacturers

Qualifying Activity:

Construction of cold storage warehouse in excess of 35,000 square feet

Reporting/Documentation:

- Application for Remittance form must be filed
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

*State Portion

BIOFUEL

Reduced B&O Rate & Property/Leasehold Tax Exemption for Biodiesel/Alcohol Fuel Manufacturing

Available to:

Manufacturers of biodiesel fuel, alcohol fuel, biodiesel feedstock, and wood biomass fuel

Qualifying Activity:

Manufacturing qualifying fuel products

Reporting/Documentation:

- Certification that biofuel meets ASTM standard
- Application for property tax exemption made through county assessor
- Application for leasehold tax exemption made through Department of Revenue
- No Annual Survey/Report
- Electronic filing not required

B&O Tax Deduction for Retail Sales of Biofuels Sales/Use Tax Exemption for Machinery, Equipment, and Construction of Facilities for Retail Sale and Delivery of Biofuels

Available to:

Retail sellers and distributors of biofuels

Qualifying Activity:

Retail sales and distribution of biofuels

Reporting/Documentation:

- Maintain certification that biofuel meets ASTM standard
- Completion of Buyers' Retail Sales Tax Exemption Certificate
- No application
- No Annual Survey/Report
- Electronic filing not required



OTHER INCENTIVES

Sales Tax* Remittance on Construction of Warehouses, Grain Elevators, and Distribution Centers

Available to:

Wholesalers, retail distribution centers, and third party warehouse businesses

Qualifying Activity:

Construction of 200,000 square feet or more warehouse and distribution center or one million bushel capacity grain elevators

Reporting/Documentation:

- Application for Remittance form must be filed
- No Annual Survey/Report
- Electronic filing not required

*State Portion

Reduced B&O Rate for Extracting/Manufacturing Timber and Wood Products

Available to:

Extractors, manufacturers, and processors for hire of timber products and wood products

Qualifying Activity:

Extracting, manufacturing, or processing for hire of qualifying products

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

Reduced B&O Rate for Solar Energy System Manufacturers & Wholesalers

Available to:

Manufacturers, processors for hire, and wholesalers of solar energy systems and silicon components

Qualifying Activity:

Manufacturing or wholesaling qualifying products

Reporting/Documentation:

- No application
- Annual Survey must be filed by March 31 of the following year
- Electronic filing of all documents required

B&O Tax Credit for Workforce Training

Available to:

All Washington employers

Qualifying Activity:

Payments to the Employment Training Finance Account through the Customized Employment Training Program

Reporting/Documentation:

- Employment Credit Training Work Sheet must be filed
- Application with State Board of Community and Technical Colleges
- Annual Survey must be filed by March 31 of the following year
- Electronic filing not required

B&O Tax Credit for International Service Providers

Available to:

Persons providing international services, such as computer; data processing; information; legal; accounting and tax preparation; engineering; architectural; business consulting; business management; public relations and advertising; surveying; geological consulting; real estate appraisal; or financial services in designated geographical areas

Qualifying Activity:

Creating new jobs in these fields in the designated areas

Reporting/Documentation:

- Maintain employment records for six years
- No application
- No Annual Survey/Report
- Electronic filing not required

<http://dor.wa.gov>

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